CONSOLIDATED FINANCIAL STATEMENTS 2009

ST. JOHN'S

NEWFOUNDLAND AND LABRADOR, CANADA

CITY OF ST. JOHN'S PO BOX 908 ST. JOHN'S NL CANADA A1C 5M2 WWW.STJOHNS.CA

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INTRODUCTION

These documents comprise the City of St. John's financial reporting for the fiscal year ended December 31, 2009.

The Consolidated Financial Statements are the primary document, however much additional detail and explanation is provided in the "Financial Statement Discussion and Analysis" which should be read in conjunction with the Consolidated Financial Statements for a full understanding of the City's financial operations in 2009 and its financial position at December 31, 2009.

FINANCIAL STATEMENT

DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2009

I am pleased to present the City of St. John's (the "City") 2009 Financial Annual Report, which has been prepared by the management of the City. This Report for 2009 demonstrates the progress the City has made in working towards the highest standards of performance measurement, accountability, transparency, and service delivery.

The discussion and analysis of financial performance of the City should be read in conjunction with the audited consolidated financial statements and their accompanying notes and schedules, which are prepared in accordance with Canadian generally accepted accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Consolidated Financial Statements of the City (the "Statements") provide information about the economic resources, obligations and accumulated surplus of the City. They include the City's operating departments, as well as City agencies such as the St. John's Transportation Commission, the City of St. John's Non-Profit Housing Fund and St. John's Sports & Entertainment Ltd. A brief description of the City's major funds and agencies follows.

The City's Sinking Fund contains the principal payments on the City's debenture financed long term debt, as well as the income earned on those payments. The City uses 20 year Sinking Fund bond issues to finance most capital borrowing. Under the terms of those bonds the City pays interest on the principal to the issuer semi-annually and at the same time pays a set percentage (typically 2.5% per annum) of the principal into the Sinking Fund. The money in this Fund is then invested in financial instruments authorized under the Trustee Act in order to safely accumulate the funds required to repay the lender on maturity.

The City's Non-Profit Housing Fund owns rental properties in projects located around the City. The properties were financed and constructed in conjunction with the Canada Mortgage and Housing Corporation, however the City is fully responsible for managing and maintaining the properties, which are financed by mortgages paid out of the rental revenue. The Province of Newfoundland and Labrador provides support for these projects through annual operating grants.

The St. John's Transportation Commission, which operates as Metrobus, is a City agency overseen by seven Commissioners appointed by Council, of whom two are elected Councillors. The Commission has its own management and staff and operates independently. It receives an operating subsidy from the City and its annual budget as approved by the Commission is presented to and approved by the City.

St. John's Sports & Entertainment Ltd. ("SJSEL") is a corporation without share capital, incorporated by the City to own and operate Mile One Centre and the St. John's Convention Centre. The nine person Board of Directors is appointed by Council and includes one elected City Councillor and two City staff as ex-officio non-voting members. Similar to the Transportation Commission, SJSEL receives an operating subsidy from the City and its annual budget as approved by the Board, is also presented to and approved by the City.

Separate financial statements are prepared annually for the Non-Profit Housing Fund, the St. John's Transportation Commission and St. John's Sports & Entertainment Ltd.

In addition, separate financial statements are prepared for the St. John's Regional Fire Department, the St. John's Regional Water System, the St. John's Waste Water System, and Robin Hood Bay Regional Waste Management Facility. All of these regional services are owned and operated by the City of St. John's and their operations are included in the City's Consolidated Financial Statements, however the actual cost of operations is allocated to all users of the services which include several other municipalities in the Eastern Region of the Province, as well as commercial users. Those costs billed out to other municipalities and to commercial users are included as revenue under "Sales of Goods and Services".

OPERATING RESULTS

The Consolidated Statement of Operations and Accumulated Surplus reports the City's economic resources, obligations and accumulated surplus, on a comparative basis. The annual revenues exceeded expenditures, resulting in an increase in accumulated surplus. In 2009, the City registered consolidated revenues of $250.01 million (2008 - $232.01 million), recording an increase of 7.8% over 2008. Consolidated expenditures totalled $198.62 million in 2009 (2008 - $184.77 million), resulting in an increase in accumulated surplus of $51.47 million.

CONSOLIDATED REVENUES
For the years ended December 31 (in thousands of dollars)

	2009		2008		Change
Taxation	**110,719**	44%	110,065	47%	654
Grants in lieu of taxes	**3,739**	1%	3,696	2%	43
Grants and transfers	**63,387**	25%	55,447	24%	7,940
Sales of goods and services	**53,249**	21%	43,712	19%	9,537
Other revenue from own sources	**18,997**	8%	19,125	8%	(128)
	250,091		232,045		18,046

Revenues improved due to several factors. As in 2008, grants and transfers increased by $7.94 million in 2009 compared to the prior year, again because of a large increase in municipal capital grants, most related to the completion of the Harbour Cleanup Project and to 2008-2010 Multi-Year Capital Works Program, a cost-shared program with the Provincial government. Sales of goods and services increased by $9.54 million (21.8%), mainly due to increase in water tax revenue and tipping fees at the Robin Hood Bay Waster Management Facility.

The major components of tax revenues include real property tax, business tax, utility tax, and accommodation tax. Increase in the assessed value of properties, resulting in an increase in real property tax earnings of $1.5 million was the principal factor contributing to improved tax revenue.

Capital grants from the Government of Canada in 2009 consisted primarily of funds received under the Federal Gas Tax rebate program. These funds were used to enhance the City's street rehabilitation program. Municipal capital grants from the Government of Newfoundland and Labrador increased in 2009 by $5.66 million. These amounts related to both the Harbour Cleanup and the Multi-Year Program referred to above. The City of Mount Pearl and the Town of Paradise paid $4.69 million in cost-shared capital costs of the waste treatment facility in 2009, an increase of approximately $1.37 million over 2008.

Consolidated expenditures totalled $198.62 million in 2009 (2008 - $184.77 million), an increase of $13.65 million over 2008. The rising expenditure was primarily owing to increase in expenses in general government services (up by $3.34 million), transportation services (up by $1.37million), environmental health services ($4.11 million), and recreation and cultural services ($1.89 million.

The increase in general government services is almost entirely attributable to post-retirement benefits. The City's employee pension plan came through the 2008/2009 financial crisis reasonably well but additional costs were required to be recorded based on the December 31, 2009 actuarial valuation. Transportation services include road transport, street lighting, St. John's Transportation Commission and Para-Transit System, and parking meters. The increased costs in 2009 were almost entirely due to increased costs for public transit, including the Para-Transit system. The increases reflect increased fuel costs, and debt service in Metrobus and increased use of the Para-Transit system which is subsidized on a per ride basis.

CONSOLIDATED EXPENSES
For the years ended December 31 (in thousands of dollars)

	2009		2008		Change
General government services	37,700	19%	34,362	19%	3,338
Fiscal services	16,241	8%	16,662	9%	(421)
Transportation services	41,290	21%	39,924	22%	1,366
Protective services	27,143	14%	24,826	13%	2,317
Environmental health services	26,102	13%	21,991	12%	4,111
Recreation and cultural services	22,215	11%	20,321	11%	1,894
Environmental development services	4,948	2%	5,077	3%	(129)
Amortization and allowances	22,779	11%	21,607	12%	1,172
	198,418		184,770		13,648

Environmental health services include water supply and distribution; regional water system; garbage, waste collection and disposal; and sewerage collection and disposal. All categories (except sewer collection and disposal) showed increased expenditure in 2009 The major hikes were in water supply and distribution ($1.2 million), and garbage, waste collection and disposal expenses ($2.02 million). The major increases in garbage disposal expenses relate to the re-development of the Robin Hood Bay Waste Management Facility and the increased service provided to both the City of St. John's and other municipalities.

Amortization and allowances include provisions for uncollectible accounts, provision for obsolete inventory, loss on disposal of tangible capital assets and amortization. Amortization of assets, which rose by $4. million from the previous year (mainly because

new capital projects were undertaken), was primarily responsible for the hike in expenses under this category.

RE-STATEMENT

As noted in the 2008 column of the consolidated financial statements, the figures for 2008 have been re-stated to correct an error in the recording of the City's tangible capital assets. Prior to the adoption of the full accrual basis of accounting effective with the City's 2007 year end, the City fully expensed the net cost of capital asset acquisitions in the year in which the money was spent. Under the full accrual method of accounting those capital expenditures are recorded as an asset and amortized over the expected life of the asset and capital grants from third parties are recorded as income in the year received. The redevelopment of the Robin Hood Bay landfill site was largely funded by the provincial government. Certain expenditures by the Province in the amount of $2,482,082 were netted against the cost of the asset rather than being recorded as revenue and as an asset. This error was detected and corrected in 2009. The re-stated figures are set out in detail in Note 2 to the Consolidated Financial Statements.

FINANCIAL POSITION

The Consolidated Statement of Financial Position reports the City's financial and non-financial assets and liabilities, and accumulated surplus as at December 31, 2009, on a comparative basis to the restated results for 2008. This statement, read in conjunction with the referenced notes, is used to evaluate the City's ability to finance its operations and to meet its obligations and commitments. The accumulated surplus, which represents the net assets of the City, is one of the key indicators on the Consolidated Statement of Financial Position. The annual change in the accumulated surplus is equal to the yearly excess of revenues over expenses for the year, which was $51.47 million in 2009. The increase in surplus over 2007 was primarily attributable to increasing capital contributions with additional operating revenues providing increases in sales of goods and services, grants and transfers, and earnings from taxation.

As shown in Note 13 to the Consolidated Financial Statements the accumulated surplus from past revenues and contributions has been used to create reserves (appropriated surplus) under various accounts/projects. The majority of these reserves are earmarked for future capital expenditures and for stabilizing the ups and downs in operating expenditures and revenue levels from year to year. In 2009, the City's reserve balances increased overall by $13.5 million over the previous year. Sinking fund reserve for retirement of debentures accounted for the largest amount under reserve, which increased by $7.91 million in 2009 from 2008.

Some of the important items in the Consolidated Statement of Financial Position are discussed in the following section.

CASH & CASH EQUIVALENTS

Cash and cash equivalents increased by $4.31 million in 2009 primarily as a result of both interim borrowing and refinancing of capital expenditures, which frees up cash flow

from operations. Deposits received under the Federal Public Transit Fund in the amount of $25.17 million made up the major cash amount as at December 31, 2009. The money is to be used to construct a new Metrobus Depot with maintenance and storage facilities as well as administrative office space. Other significant items under the cash and cash equivalent account includes accommodation tax, advance payments from developers, and the replacement reserve fund for the City's non-profit housing projects, all of which increased in 2009 from the prior year. A new item this year in the $1,000,000 amount reserved for closure and post-closure costs at the Robin Hood Bay Waste Management Facility. This item is explained in detail in Note 17 to the financial statements.

ACCOUNTS RECEIVABLE

The current portion of accounts receivable decreased by $3.83 million in 2009 over 2008, mainly because of a decrease in receivables from other governments, the vast majority of which consists of capital costs incurred under cost-sharing programs.

Accounts receivable – long term consists of amounts receivable from the provincial government for funds borrowed to finance the provincial share of cost shared capital projects.

Accounts receivable – long term declined by $4.86 million as the Provincial Government is paying off its share of older loans and in addition, no longer requires the City to borrow its (the Province's) share of long term debt on cost-shared projects so there are no additions to this account.

PORTFOLIO INVESTMENTS

Portfolio investments (sinking funds) increased by $7.91 million in 2009 from the previous year. These are the accumulated principal payments and income earned under the terms of the City's Debenture debt borrowings and represents the accumulated payments made under the terms of the debt issuance. These typically consist of payments of 2.5% of the originally borrowed amount of each bond issue per year, plus the income earned as these amounts are invested. This process ensures that sufficient funds are on hand to pay off the bonds (debentures) on maturity. The total amount of the Sinking Funds must be offset against the Debenture debt total to provide the net debt outstanding at year end.

PAYABLES & ACCRUALS

The payables and accruals consist of deposits and prepayments, trade, accrued interest, and obligations to other governments. Deposits and prepayments under this account includes the proceeds from the Federal Public Transit Fund, which is to be used for the construction of the new Metrobus Depot.

DEBT

The City has two major types of debt obligations—debenture debt and long-term debt. The largest debt component is the sinking fund debentures, which totalled $225.57 million as at December 31, 2009. The annual requirements until 2014, relating to sinking funds (less debt charges recoverable from the Province of Newfoundland and Labrador), ranges from $5.09 million down to $3.8 million as older bonds mature. The long-term debt consists of various mortgages and other loans including those for urban living non-profit housing, sewage treatment plants, and other capital projects. The City's net debt payable at the end of December 2009 is $160.61 million, as summarized in the table below.

DEBT
(for the years ended December 31)

	2009	2008	Change
Debenture debt	225,568,000	200,886,000	24,682,000
Long term debt	49,159,418	56,142,502	(6,983,084)
	274,729,427	257,030,510	17,698,917
Less: Accounts receivable - long term	51,626,346	56,482,701	(4,856,355)
Portfolio investments (Sinking Funds)	62,490,598	54,583,138	7,907,460
Net debt payable	160,612,483	145,964,671	14,647,812

EMPLOYEE BENEFITS

The City provides pension, sick leave, and severance pay benefit plans for qualified employees. The cost of these plans is actuarially determined each year, based on best estimates of a number of assumptions. Past experience and future economic and investment outlook lay the foundation for the assumptions; hence, future uncertainty may derail some of the projections. Variance between actual experience and assumptions (and revisions in assumptions) will almost certainly lead to adjustments in pension, severance, and/or sick leave benefit expenses in future. Some important assumptions relate to such factors as the long-term expected rate of return on plan assets, inflation, increase in salaries, discount rates, and employee related factors such as retirement age, mortality, turnover, used sick leave, etc.

The City contributes to a defined benefit pension plan for employees as well as to a supplementary retirement plan for the members of Council, both providing benefits based on length of service and average annual income. The aggregate employee benefits obligation increased by $13.07 million in 2009 over 2008. The largest amount, explained in more detail in note 11, is for post employment health and life insurance benefits, which is the current calculation of the future cost of paying the premiums for these benefits for current employees after their retirement.

TANGIBLE CAPITAL ASSETS

Tangible capital assets include the City's physical assets such as land, buildings, equipment, vehicles, roads, underground networks, etc. These assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, and/or development of the assets. The cost, less estimated residual value of the assets are

amortized on a straight-line basis over the assets' estimated useful lives, ranging from 5 to 100 years.

In 2009, the City made total capital investments of $110.1 million under various projects, registering a 12.5% increase in investments over previous year. Major outlays were in buildings and permanent improvements); equipment, vehicles and moveable plant ; and in work in progress of projects from earlier years. The ending book value of the City's tangible capital assets stood at $848.37 million as at December 31, 2009, recording an increase of 11.94 percent over 2008.

FINANCIAL INDICATORS

The financial condition of the City is measured by its ability to meet its existing financial obligations to employees, creditors, and other stakeholders, while continuing to provide high quality service to the public. The City manages debts and credits efficiently which puts it on a good credit standing. Rigorous contract management, purchasing, and financial controls are in place to ensure proper financial checks and balances. An analysis of the comparative Consolidated Financial Statements for 2009 and 2008 reveals the City's financial state.

One of the key indicators of financial health is the sustainability ratio. It measures the degree to which the City can maintain its existing service and financial commitments without increasing the relative debt or tax burden on the taxpayers. A critical measure of sustainability is the assets-to-liabilities ratio. The City maintained an assets-to-liabilities ratio of 2.18 in 2009 as compared to a ratio of 2.12 in 2008 and 2.14 in 2007, which implies that the City has sufficient assets in place to cover its existing liabilities. It has to be borne in mind that much of both the assets and liabilities relate to the infrastructure required to be in place and maintained to ensure that the City continues to be able to provide its mandated services. The City's financial assets-to-liabilities ratio at a slightly lower level in 2009 at 0.34 compared to 0.42 in 2008 and 0.43 in 2007. These levels are to be expected as most financial liabilities are long term debt repayable over the next twenty years.

CONSOLIDATED STATEMENT OF CASH FLOW

The Consolidated Statement of Cash Flow summarizes how the City's cash position changed during the year by highlighting the City's sources and uses of cash. The statement is useful in determining the short-term viability of the City, particularly its ability to pay bills. The statement reconciles the cash position of the City over the fiscal year ended December 31, 2009 by starting with income earned during the year, adding back amortization of tangible capital assets as well as other non-cash expenditures, adding cash provided by borrowing and other financing activities, and deducting capital expenditures and principal payments on debt. As at December 31, 2009, the City's cash position stood at $28.30 million, an increase of $9.3 million over the previous year. The increase is primarily attributable to interim borrowing for capital works projects which will be replaced by fixed term bond issues when market conditions improve..

The Consolidated Statement of Cash Flow has been simplified from those presented in prior years as many of the items required to reconcile cash in previous years are now included directly in revenue or expenditure as a result of the adoption of accrual accounting.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

The City relies on borrowed funds to finance some of its capital expenditures as there is a gap between capital expenditure needs and ongoing revenue sources. However, debt has remained at sustainable levels. The Consolidated Statement of Change in Net Debt reconciles the net debt of the City, year-on-year, where net debt is the City's financial assets (cash and equivalents) less financial liabilities. The statement reports on the extent to which expenditures (as opposed to expenses) in the year have been met by revenues recognized in the year. Expenditures include both payments on debt principal in the year as well as the costs of acquisition of tangible capital assets, items that require the outlay of cash but are not considered expenses for the year. This statement essentially reports how these expenditures are financed.

In 2009, the City's net debt increased by $36.79 million (2008 - $32.45 million). The increase is entirely attributable to the acquisition of capital assets with borrowed funds. It should be noted that the City's Long Term Debt Policy allows borrowing only for capital projects where at least 50% of the cost is borne by third parties or where there is a dedicated new source of revenue sufficient to cover the City's cost. That policy also provides that the City's total general obligation debt service (eg. paid from property tax) shall not exceed 17.5% of the City's not operating revenue. That ratio as of December 31, 2009 is at approximately 9%.

COMPARISON TO BUDGET

In accordance with the City of St. John's Act, the City prepares its annual budget on a cash basis rather than the full accrued basis now mandated for its annual consolidated financial statements by Canadian generally accepted accounting principles for local governments. There are many differences between the cash basis financial results derived from the cash budget and the results provided by accrual based financial statement accounting, however, in order to compare the City's operating results to the approved budget for 2009 we have to do it on a cash basis. The following schedule provides that comparison.

CITY OF ST. JOHN'S
Cash Basis Statement of Revenue and Expenditure
Year ended December 31, 2009

	2,009 Actual	2,009 Budget	Variance
Revenue			
Taxation	$ 147,600,943	$ 146,782,850	$ 818,093
Grants from other governments	17,740,055	20,835,030	(3,094,975)
Grants in lieu of taxes	3,739,477	3,682,960	56,517
Sales of goods & services	14,333,181	11,749,988	2,583,193
Other revenue own sources	9,162,026	8,903,280	258,746
Other transfers	711,069	700,000	11,069
Total Revenue	193,286,751	192,654,108	632,643
Expenditure			
General government services	24,307,679	26,265,640	-809,161
Protective services	25,232,985	23,384,740	1,848,245
Transportation services	38,727,783	35,862,570	2,861,253
Environmental health services	37,851,314	39,524,430	-1,673,116
Environmental development services	8,707,808	9,440,680	-732,872
Recreation and cultural services	17,766,308	16,767,260	999,048
Fiscal services	26,824,839	25,437,420	1,387,419
Transfers to reserves & other funds	15,524,544	15,971,368	-446,824
Total Expenditure	194,943,260	192,654,108	3,433,992
Net cash operating deficit	-1,656,510	0	-1,656,510

As shown, the City incurred a small cash deficit in operations in 2009 of $1.6 million. When this is added to the accumulated cash surplus from prior years, the accumulated cash surplus from operations at December 31, 2009 amounts to $536,466.

The major differences between budget and actual expenses in 2009 related to streets maintenance, fire protection and fiscal services with increased street and sidewalk repairs, an arbitration award on firefighter salaries and an earlier than anticipated debt retirement by the Province, passed on by the City, providing the reasons.

WHAT THE FINANCIAL STATEMENTS MEAN

The City of St. John's prepares its annual consolidated financing statements in accordance with Canadian generally accepted accounting principles for local governments as noted above. These consolidated financial statements are therefore prepared on the full accrual basis which requires the City to, amongst other things:

(a) record capital grants from third parties, primarily the Provincial and Federal governments, as revenue in the year received;

(b) record as revenue the value of subdivision common areas transferred to the City by developers;

(c) exclude the purchase or construction cost of fixed assets from the Statement of Operations and the inclusion of amortization of those fixed assets as disclosed in Schedule 1 to the consolidated financial statements; and

(d) exclude from expenditure, payments made on the principal balances of long term debt.

Readers of these financial statements must therefore understand that th high revenues and substantial operating surpluses recorded are almost entirely attributable to the receipt and recording as revenue of capital grants and actual physical assets. The consolidated financial statements as presented indicate the following:

- the City has spent a great deal of money on the acquisition of fixed or tangible assets in recent years, primarily basic infrastructure, and has received substantial capital contributions towards those expenditures from the Federal and Provincial governments;

- the surplus which has been generated is based on tangible capital assets which are held indefinitely and used to provide services to residents. They are not for sale and are not used to directly generate revenue; and

- the City maintains has a small cumulative cash surplus on operations and is maintaining a good financial position.

The primary goal of a municipality's financial statements is accountability. This includes not only the basic handling of cash funds provided by tax payers and by other levels of government but also how those funds are used to ensure that the municipalities' physical assets are maintained as required, replaced as appropriate and financed responsibly. These statements are intended to provide that information to current and future readers and to provide an objective measure of the City's performance in achieving accountability for all its assets.

Robert G. Bishop, C.A.
Director of Finance
and City Treasurer

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of St. John's. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements have been reviewed and approved by the City's Audit Committee.

Deloitte & Touche LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and Councillors and appears in the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.

Robert G. Bishop, C.A.
Director of Finance
and City Treasurer

Deloitte.

Consolidated Financial Statements of

CITY OF ST. JOHN'S

December 31, 2009

Membre de / Member of Deloitte Touche Tohmatsu

CITY OF ST. JOHN'S
December 31, 2009

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Auditors' Report

To His Worship the Mayor and Councillors,
City of St. John's

We have audited the consolidated statement of financial position of the City of St. John's as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2009 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
December 15, 2010

CITY OF ST. JOHN'S

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2009

	2009	2008
	$	$ (Restated Note 2)
Revenue (Schedule 5)		
Taxation	**110,718,575**	110,064,718
Grants in lieu of taxes	**3,739,477**	3,695,606
Grants and transfers	**63,387,225**	55,447,028
Sales of goods and services	**53,249,386**	43,712,602
Other revenue from own sources	**18,996,690**	19,125,009
	250,091,353	232,044,963
Expenditure (Schedule 6)		
General government services	**37,699,629**	34,361,593
Fiscal services	**16,240,930**	16,661,920
Transportation services	**41,290,621**	39,924,609
Protective services	**27,142,950**	24,825,751
Environmental health services	**26,302,044**	21,990,699
Recreation and cultural services	**22,214,780**	20,320,763
Environmental development services	**4,947,647**	5,076,812
Amortization and allowances	**22,779,129**	21,607,713
	198,617,730	184,769,860
Excess of revenues over expenditures	**51,473,623**	47,275,103
Accumulated surplus, beginning of year	**503,792,480**	456,517,377
Accumulated surplus, end of year (Note 13)	**555,266,103**	503,792,480

CITY OF ST. JOHN'S
Consolidated Statement of Financial Position
As at December 31

	2009	2008
	$	$ (Restated Note 2)
Financial assets		
Cash and cash equivalents (Note 3)	**28,297,608**	23,986,740
Short-term investments	**-**	1,995,747
Accounts receivable - current (Note 4)	**44,899,862**	48,727,971
Accounts receivable - long-term (Note 5)	**51,626,346**	56,482,701
Investment in rental housing projects	**398,913**	425,226
Portfolio investments (Sinking funds) (Note 13, Schedule 2)	**62,490,598**	54,583,138
	187,713,327	186,201,523
Financial liabilities		
Bank indebtedness	**10,243,480**	29,169,215
Interim financing loan (Note 15)	**24,000,000**	-
Payables and accruals (Note 7)	**66,124,064**	63,377,777
Employee benefits (Note 8)	**107,726,001**	94,655,015
Deferred credits	**1,261,680**	1,682,240
Debenture debt (Note 9)	**225,568,000**	200,886,000
Long-term debt (Note 10)	**49,159,418**	56,142,502
Trust funds payable	**751,394**	417,281
	484,834,037	446,330,030
Net debt	**(297,120,710)**	(260,128,507)
Commitments and contingencies (Note 16)		
Non-financial assets		
Tangible capital assets (Note 6 and Schedule 1)	**848,370,691**	760,392,197
Inventory of materials and supplies	**2,508,900**	2,333,906
Prepaid expenditures	**1,470,049**	1,139,002
Unamortized bond discount	**37,173**	55,882
	852,386,813	763,920,987
Accumulated surplus (Note 13)	**555,266,103**	503,792,480

On behalf of Council

Mayor

Director of Finance and City Treasurer

CITY OF ST. JOHN'S
Consolidated Statement of Changes in Net Debt
For the year ended December 31, 2009

	2009	2008
	$	$ (Restated Note 2)
Excess of revenues over expenditures	**51,473,623**	47,275,103
Changes in tangible capital assets		
Acquisition of tangible capital assets	**(110,110,688)**	(100,033,884)
Net book value of tangible capital assets disposals/adjustments	**39,436**	2,123,659
Amortization of tangible capital assets	**22,092,758**	18,057,961
Increase in net book value of tangible capital assets	**(87,978,494)**	(79,852,264)
Changes in other non-financial assets		
Change in prepaid expenditures and bond discounts	**(312,338)**	35,304
Acquisition of inventory and supplies net of usage	**(174,994)**	95,335
(Increase) decrease in non-financial assets	**(487,332)**	130,639
Increase in net debt	**(36,992,203)**	(32,446,522)
Net debt, beginning of year	**(260,128,507)**	(227,681,985)
Net debt, end of year	**(297,120,710)**	(260,128,507)

CITY OF ST. JOHN'S
Consolidated Statement of Cash Flows
For the year ended December 31, 2009

	2009	2008
	$	$ (Restated Note 2)
Operating activities		
Excess of revenues over expenditures	**51,473,623**	47,275,103
Non-cash charges to operations:		
Amortization of tangible capital assets	**22,092,758**	18,057,961
Employee benefits	**13,070,986**	10,587,763
(Gain) loss on disposal of tangible capital assets	**(239,672)**	2,020,201
	86,397,695	77,941,028
Net change in non-cash operating working capital (Note 14)	**6,068,356**	(14,308,547)
	92,466,051	63,632,481
Financing activities		
Decrease in long-term receivable	**4,856,355**	5,143,267
Proceeds from interim financing loan	**24,000,000**	-
Proceeds from debenture debt	**27,000,000**	-
Proceeds from long-term debt	**-**	2,195,000
Repayment of		
Debenture debt	**(2,318,000)**	(2,920,000)
Long-term debt	**(6,983,084)**	(5,127,171)
(Decrease) increase in bank indebtedness	**(18,925,735)**	29,169,215
Other	**(67,738)**	(448,272)
	27,561,798	28,012,039
Investing activities		
Acquisition of tangible capital assets	**(110,110,688)**	(100,033,884)
Increase in sinking fund investments	**(7,907,460)**	(7,235,514)
Proceeds from sale of tangible capital assets	**279,108**	103,457
Proceeds on disposal of short-term investments	**1,995,747**	7,004,874
Decrease in investment in rental housing projects	**26,312**	24,661
	(115,716,981)	(100,136,406)
Increase (decrease) in cash and cash equivalents	**4,310,868**	(8,491,886)
Cash and cash equivalents, beginning of year	**23,986,740**	32,478,626
Cash and cash equivalents, end of year	**28,297,608**	23,986,740

Supplementary cash flow information (Note 14)

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies:

Basis of consolidation

The consolidated financial statements include all the accounts of the City of St. John's (the "City"), St. John's Transportation Commission and St. John's Sports & Entertainment Ltd., which are wholly-owned and operated by the City. Any inter-company transactions have been eliminated on consolidation. Any internal income and expenses for the City's Urban Living Non-Profit Housing Fund, Regional Fire Department, Regional Waste Water System, Robin Hood Bay Regional Waste Management Facility, and Regional Water Supply System have also been eliminated on consolidation.

Revenue recognition

Revenues are recognized as earned and when collection is reasonably assured. Property tax billings are prepared by the City based on the assessed values of the respective property. The tax rates are approved annually by Council.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks (net of overdrafts) and short-term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventories

Inventories of material and supplies are carried at the lower of cost and net realizable value.

Investments in rental housing projects

Investments in rental housing projects are recorded at cost.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	45 years
Vehicles	
Transit buses	7-12 years
Vehicles	7-20 years
Computer hardware and software	5 years
Other	
Machinery and equipment	15-20 years
Water and waste plants and networks	
Underground networks	75 years
Sewage treatment plants and lift stations	45 years
Water pumping stations and reservoirs	45 years
Flood stations and other infrastructure	45 years
Transportation	
Roads	35 years
Bridges and structures	50 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Contribution of tangible capital assets

Contributions of tangible capital assets are recorded at fair value at the date of receipt.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense.

Bond discounts

Bond discounts are amortized and expensed over the term of the related bond issue.

Assessments

Assessments for water and sewer installations and street improvements are recorded on an accrual basis.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Portfolio investments (Sinking funds)

Sinking funds established for the retirement of debentures are held and administered by a third party and accounted for in the City's records on an accrual basis.

Reserve for landfill capital improvements

The City has established a reserve for landfill capital improvements to accumulate the net revenue received from users of the Robin Hood Bay landfill site. These funds will be used to finance future capital works undertaken at the landfill site.

Reserve for snow and ice management

The City has established a snow and ice management reserve, to a maximum of $2,000,000, to accumulate funds to be used in years of severe winter conditions.

Reserve for Civic Centre financing

The City has established a Civic Centre financing reserve to accumulate its share of revenue received from the accommodations' tax. The accommodations' tax, which was legislated effective January 1, 1999, represents a three percent room levy on all fixed roof accommodations in the City of St. John's.

Solid waste landfill closure and post-closure costs

The liability for closure and post-closure care of the City's Robin Hood Bay landfill is recognized as the landfill site's capacity is used. Closure costs are included in annual operating costs as each section of the landfill site is filled and placed out of service. The present value of the estimated annual post-closure costs is being accrued over the remaining life of the landfill site.

Severance pay

The City accounts for severance pay on the accrual basis and the amount is calculated based upon accumulated unused sick leave or on years of service. The amount is payable when the employee ceases employment with the City.

Retirement benefits

The City provides a benefit to certain employees, payable on retirement, based upon the employee's length of service with the City.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued pension benefits

The cost and obligation of pension benefits, earned by employees and members of Council, are actuarially determined using the accrued benefit method prorated on service and management's best estimate of assumptions of future investment returns for funded plans, salary changes and retirement ages of employees. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

The discount rate used for determining the benefit obligation is the expected rate of return on plan assets or the City's cost of borrowing.

Past service costs resulting from plan amendments are recognized at the date of amendment.

The excess of the net actuarial gain (loss) is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee plan is 14.7 years and 1.2 years for the Mayor and Councillors' plan.

Employee future benefits

The City provides post retirement benefits in the form of extended life and health coverage to employees. The cost and obligations of these benefits earned by employees are actuarially determined using the accrued benefit method prorated on service and management's best estimate of assumptions and future claim rates and costs. There is no requirement to fund these future obligations on a current basis.

Use of estimates

In preparing the City's financial statements in conformity with Canadian generally accepted accounting principles for local governments, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The December 31, 2008 figures have been restated to adjust the allowance for Robin Hood Bay landfill of $2,482,082 that should have been recorded in tangible capital assets as work in progress.

	As previously reported	As restated
	$	$
Statement of Operations and Accumulated Surplus		
Amortization and allowances	24,089,795	**21,607,713**
Excess of revenues over expenditures	44,793,021	**47,275,103**
Accumulated surplus, end of year	501,310,398	**503,792,480**
Statement of Financial Position		
Tangible capital assets	757,910,115	**760,392,197**
Accumulated surplus, end of year	501,310,398	**503,792,480**
Statement of Changes in Net Debt		
Excess of revenues over expenditures	44,793,021	**47,275,103**
Net book value of tangible capital assets disposals/ adjustments	4,605,741	**2,123,659**
Statement of Cash Flows		
Excess of revenues over expenditures	44,793,021	**47,275,103**
(Gain) loss on disposal of tangible capital assets	4,502,284	**2,020,201**

3. CASH AND CASH EQUIVALENTS

	2009	2008
	$	$
Cash	-	-
Restricted cash deposits:		
Accommodation tax	366,084	355,416
Public Transit Fund	25,171,841	22,564,748
Robin Hood Bay Post Closure Costs	1,000,000	-
Northeast Avalon Regional Plan	197,959	-
Advance payments from developers	751,394	417,281
Urban living non-profit housing		
Tenants' security deposits	101,770	100,858
Replacement reserve fund	708,560	548,437
	28,297,608	23,986,740

The Public Transit Fund consists of funds that have been received in advance of expenditure under the Federal Provincial Public Transit funding agreement signed October 23, 2007. The funds are to be used to construct a modern transit depot.

The City has agreements with Canada Mortgage and Housing Corporation ("CMHC") and Newfoundland and Labrador Housing Corporation ("NLHC") which stipulate that cash be set aside for a replacement reserve fund.

4. ACCOUNTS RECEIVABLE - CURRENT

	2009	2008
	$	$
Taxes	5,582,927	5,808,783
Other governments	32,057,948	36,568,349
Other	7,258,987	6,350,839
	44,899,862	48,727,971

5. ACCOUNTS RECEIVABLE - LONG-TERM

The Government of Canada, through CMHC, has agreed to pay grants to the City as a share of Rennies River trunk sewer and Mundy Pond neighbourhood improvement program. The Province of Newfoundland and Labrador has agreed to pay grants to the City as a share of water and sewer, street paving and reconstruction, and recreational facilities programs. These grants are payable by annual instalments and have maturity dates to December, 2026.

	2009	2008
	$	$
Government of Canada		
Rennies River trunk sewer	**420,033**	461,809
Mundy Pond neighbourhood improvement program	**-**	152
	420,033	461,961
Government of Newfoundland and Labrador		
Water and sewer projects	**37,045,515**	40,231,739
Civic Centre	**11,529,954**	12,731,199
Paving	**26,358**	118,604
Other	**24,080**	34,815
	48,625,907	53,116,357
Other		
Federation of Canadian Municipalities-interest grant	**1,261,680**	1,682,240
Civic assessments	**1,318,726**	1,222,143
	2,580,406	2,904,383
	51,626,346	56,482,701

The Federal and Provincial government's share of cost shared loans is recorded in the accounts of the City as debt charges recoverable. For the next five years the amounts are as follows:

	Federal	Provincial	Total
	$	$	$
2010	46,126	4,480,402	4,526,528
2011	50,929	4,730,190	4,781,119
2012	56,233	5,034,742	5,090,975
2013	62,089	5,349,874	5,411,963
2014	68,556	5,522,381	5,590,937

6. TANGIBLE CAPITAL ASSETS

	2009	2008
	$	$ (Restated Note 2)
Land	**48,017,519**	46,301,869
Buildings and permanent improvements	**191,970,725**	114,710,550
Roads and underground networks	**418,394,166**	331,667,859
Equipment, vehicles and moveable plant	**85,341,220**	33,883,217
Fire department buildings and equipment	**13,528,828**	11,801,295
Urban living non-profit housing buildings	**13,141,925**	13,758,241
Work in process	**77,976,308**	208,269,166
	848,370,691	760,392,197

Additional information on additions, disposals and amortization is presented in Schedule 1.

7. PAYABLES AND ACCRUALS

	2009	2008
	$	$
Trade	**29,237,485**	31,632,762
Deposits and prepayments	**34,739,515**	29,671,978
Accrued interest	**1,924,428**	1,850,845
Other governments	**222,636**	222,192
	66,124,064	63,377,777

8. EMPLOYEE BENEFITS

	2009	2008
	$	$
Employee future benefits (Note 12)	**75,921,737**	68,455,623
Accrued pension benefits (Note 11)	**16,132,476**	10,445,060
Retirement benefits	**9,794,221**	9,160,698
Severance pay	**5,877,567**	6,593,634
	107,726,001	94,655,015

9. DEBENTURE DEBT

	2009	2008
	$	$
Debenture debt outstanding (Schedule 2)	**225,568,000**	200,886,000
Less: debt charges recoverable from the Province of Newfoundland and Labrador (Schedule 2)	**35,349,896**	37,980,440
Less: portfolio investments (sinking funds) available (Schedule 2)	**62,490,598**	54,583,138
	127,727,506	108,322,422

The annual requirements over the next five years relating to scheduled sinking funds less debt charges recoverable from the Province of Newfoundland and Labrador (the "Province") are as follows:

Year	Sinking Fund Requirements	Newfoundland and Labrador	Net Amount
	$	$	$
2010	6,272,500	(1,184,886)	5,087,614
2011	6,272,500	(1,184,886)	5,087,614
2012	5,562,500	(1,184,886)	4,377,614
2013	5,212,500	(1,184,886)	4,027,614
2014	4,987,500	(1,184,886)	3,802,614

10. LONG-TERM DEBT

	2009	2008
	$	$
Long-term debt (Schedule 3)	**26,203,182**	30,161,547
Mortgages - Urban living non-profit housing (Schedule 4)	**18,051,236**	19,285,955
St. John's Transportation Commission	**4,905,000**	6,695,000
	49,159,418	56,142,502
Less: debt charges recoverable (Schedule 3)	**(13,696,045)**	(15,597,878)
	35,463,373	40,544,624

10. LONG-TERM DEBT (Continued)

Annual principal repayments over the next five years relating to retirement of long-term debt are as follows:

Year	Long-term Debt	Non-Profit Housing Mortgages	St. John's Transportation Commission	Province of Newfoundland and Labrador Share	Net Amount
	$	$	$	$	$
2010	3,796,704	1,304,487	4,905,000	(1,734,714)	8,271,477
2011	3,886,022	1,342,781	-	(1,817,980)	3,410,823
2012	4,020,511	1,382,314	-	(1,945,818)	3,457,007
2013	4,155,420	1,423,130	-	(2,073,416)	3,505,134
2014	4,128,524	1,465,275	-	(2,046,904)	3,546,895

The Province's portion of cost shared loans is recorded in the accounts of the City as debt charges recoverable.

Mortgages of the Urban Living Non-Profit Housing Fund are secured by specific rental properties situated in St. John's and an assignment of rental income.

11. ACCRUED PENSION BENEFITS

	2009	2008
	$	$
City of St. John's - Employees	**13,244,875**	8,430,197
City of St. John's - Mayor and Councillors	**2,711,700**	2,618,900
St. John's Transportation Commission	**175,901**	(604,037)
	16,132,476	10,445,060

Pension plans

The City maintains a defined benefit plan which provides pension benefits to its employees. The City also maintains a supplementary retirement arrangement for the members of Council. Both plans provide benefits based on length of service and average earnings.

An actuarial valuation of the plans was completed as at December 31, 2007 for the Mayor and Councillors and St. John's Transportation Commission plans and December 31, 2009 for Employees plan as described below.

11. ACCRUED PENSION BENEFITS (Continued)

	Employees	Mayor and Councillors	2009	2008
	$	$	$	$
Accrued benefit obligation				
Balance, beginning of year	165,895,301	2,524,000	168,419,301	155,104,532
Current service cost	7,718,768	95,400	7,814,168	8,029,946
Interest cost	11,035,511	126,000	11,161,511	10,297,975
Benefits paid	(5,345,104)	(105,100)	(5,450,204)	(5,244,284)
Past services and Flexible Ancillary Benefit Account ("FABA") contributions	245,145	-	245,145	231,132
Actuarial loss (gain)	(171,120)	-	(171,120)	-
Balance, end of year	179,378,501	2,640,300	182,018,801	168,419,301
Plan assets				
Fair value, beginning of year	123,021,372	-	123,021,372	138,396,202
Return on plan assets	19,316,860	-	19,316,860	(19,149,632)
Benefits paid	(5,345,104)	-	(5,345,104)	(5,146,084)
City contributions to plan	4,674,268	-	4,674,268	4,886,936
Past services and FABA contributions	245,145	-	245,145	231,132
Employee contributions to plan	3,697,305	-	3,697,305	3,802,818
Fair value, end of year	145,609,846	-	145,609,846	123,021,372
Funded status - deficit	(33,768,655)	(2,640,300)	(36,408,955)	(45,397,929)
Unamortized amounts	20,523,780	(71,400)	20,452,380	34,348,832
Accrued benefit liability	(13,244,875)	(2,711,700)	(15,956,575)	(11,049,097)
Significant assumptions used				
Discount rate	6.6%	5.0%		
Expected long-term rate of return on plan assets	6.0%	6.0%		
Rate of compensation increase	3.0%	3.25%		
Average remaining service period of active employees	14.7 years	1.2 years		
Net benefit expense for the year				
Current service cost	7,718,768	95,400	7,814,168	8,029,946
Interest cost	11,035,511	126,000	11,161,511	10,297,975
Amortization of gains/losses	2,659,346	(23,500)	2,635,846	450,588
Employee contributions	(3,697,305)	-	(3,697,305)	(3,802,818)
Expected return on plan assets	(8,227,374)	-	(8,227,374)	(9,258,718)
Net benefit expense	9,488,946	197,900	9,686,846	5,716,973

11. ACCRUED PENSION BENEFITS (Continued)

St. John's Transportation Commission ("Commission")

Defined benefit pension plans

The Commission maintains two defined benefit plans which provide pension benefits to its union and non-union employees. The plans provide benefits based on length of service and average earnings.

Based on an actuarial valuation of the plans completed as at December 31, 2007, the following results have been extrapolated to December 31, 2009:

	2009	2008
	$	$
Accrued benefit obligation		
Balance, beginning of year	26,899,714	24,520,511
Current service cost	1,128,820	1,056,695
Interest cost	1,667,226	1,641,770
Benefits paid	(984,586)	(974,379)
Participant contributions	19,703	18,513
Loss on accrued benefit obligation	-	636,604
Balance, end of year	28,730,877	26,899,714
Plan assets		
Fair value, beginning of year	21,058,388	25,694,126
Return on plan assets	4,198,743	(4,689,398)
Benefits paid	(984,586)	(974,379)
Employer contributions to plan	658,997	595,864
Employee contributions to plan	482,082	432,175
Fair value, end of year	25,413,624	21,058,388
Funded status - surplus (deficit)	(3,317,253)	(5,841,326)
Unamortized amounts	3,141,352	6,445,363
Accrued benefit (liability) asset	(175,901)	604,037
Significant assumptions used		
Discount rate	6.25%	6.75%
Expected long-term rate of return on plan assets	6.25%	6.50%
Rate of compensation increase	3.50%	4.00%
Average remaining service period of active employees	15 years	15 years

11. ACCRUED PENSION BENEFITS (Continued)

	2009	2008
	$	$
Net benefit expense for the year		
Current service cost	1,128,820	1,056,695
Interest cost	1,667,226	1,641,770
Amortization of gains/losses	411,152	(60,234)
Liability increase due to flexible contributions	19,703	18,513
Employee contributions	(482,082)	(432,175)
Expected return on plan assets	(1,305,884)	(1,718,567)
Net benefit expense	1,438,935	506,002

12. EMPLOYEE FUTURE BENEFITS

Both the City and the Commission provide post-retirement health and life benefits to their retired employees. The actuarial valuation of the plan completed as at December 31, 2008, extrapolated to December 31, 2009 is presented below.

	2009			2008
	City	Commission	Total	Total
	$	$	$	$
Accrued benefit obligation				
Balance, beginning of year	77,330,900	6,472,078	83,802,978	95,830,953
Current service cost	3,090,600	215,972	3,306,572	3,786,373
Interest cost	3,905,100	323,519	4,228,619	4,837,654
Estimated claims and expenses	(1,550,000)	(219,375)	(1,769,375)	(1,943,202)
(Loss) gain on benefits obligation	-	433,258	433,258	(18,708,800)
Balance, end of year	82,776,600	7,225,452	90,002,052	83,802,978
Funded status - deficit	82,776,600	7,225,452	90,002,052	83,802,978
Unamortized amounts	(12,580,400)	(1,499,915)	(14,080,315)	(15,347,355)
Accrued benefit liability	70,196,200	5,725,537	75,921,737	68,455,623

12. EMPLOYEE FUTURE BENEFITS (Continued)

	2009			2008
	City	Commission	Total	Total
Significant assumptions used				
Discount rate	5.00%	5.00%		
Average remaining service period of active employees	12 years	14.4 years		
	$	$	$	$
Net benefit expense for the year				
Current service cost	3,090,600	215,972	3,306,572	3,786,373
Amortization of actuarial gains/losses	1,607,900	92,398	1,700,298	3,259,398
Interest cost	3,905,100	323,519	4,228,619	4,837,654
Net benefit expense	8,603,600	631,889	9,235,489	11,883,425

13. ACCUMULATED SURPLUS

	2009	2008
	$	$ (Restated Note 2)
Accumulated surplus, beginning of year	503,792,480	456,517,377
Excess of revenues over expenditures	51,473,623	47,275,103
Accumulated surplus, end of year	555,266,103	503,792,480
Appropriated surplus		
Sinking fund - reserve for retirement of debentures	62,490,598	54,583,138
Reserve for Shoal Bay treatment plant	179,260	134,440
Reserve for landfill capital improvements	7,863,587	5,480,868
Urban living non-profit housing - replacement reserve	708,560	548,437
Reserve for snow and ice management	2,000,000	2,000,000
Reserve for salt savings	779,012	539,345
Reserve for Civic Centre financing	1,017,094	593,535
Reserve for capital	1,828,116	479,929
Reserve for employee benefits stabilization fund	1,943,664	1,933,233
Reserve for Robin Hood Bay post-closure costs	1,000,000	22,199
	79,809,891	66,315,124
Unappropriated surplus	475,456,212	437,477,356
	555,266,103	503,792,480

14. SUPPLEMENTARY CASH FLOW INFORMATION

	2009	2008
	$	$
Change in non-cash operating working capital:		
Accounts receivables	3,828,109	(26,436,524)
Inventory of material and supplies	(174,993)	95,335
Prepaid expenditures	(331,047)	14,948
Payables and accruals	2,746,287	12,017,694
	6,068,356	(14,308,547)
Interest paid	16,088,317	16,634,387

15. CREDIT FACILITIES

The City has the following credit facilities available to meet its short-term financing needs:

- Demand facilities with the Royal Bank totalling $34,560,000 (2008 -$34,560,000), bearing interest on advances at Royal Bank prime rate minus 0.75% (2008 – Royal Bank prime rate minus 0.75%). Drawings on this facility at December 31, 2009 were $24,000,000 (2008 - $Nil).

- Line of credit in the amount of $ 7,500,000 (2008 - $7,500,000), bearing interest on advances at Royal Bank prime rate minus 0.60% (2008 – Royal Bank prime rate minus 0.60%), of which $4,905,000 (2008 - $6,695,000) was used as at December 31, 2009, and maturing January 16, 2009 and subsequently renewed with an interest rate of 2.2% maturing January 21, 2011.

16. CONTINGENCIES AND COMMITMENTS

Expropriation and other claims

The City has received notices of claims totalling approximately $1,531,696.14. No provision has been made for these claims either because the City is not expected to incur any significant liability, or because an estimate of loss, if any, is not determinable at this time.

The Commission is contingently liable for claims below $50,000 which are not covered under its current insurance policy.

Lease commitments

Under the terms of long-term operating leases on equipment, the City is required to make annual lease payments for the next five years as follows:

	$
2010	2,700,732
2011	2,437,339
2012	1,418,147
2013	1,019,555
2014	86,409

At December 31, 2009, the St. John's Transportation Commission has a commitment totalling $407,125 for the purchase of one bus.

Greenbelt Tennis Club

The City has guaranteed a loan of $150,000 for the replacement of an air supported structure.

17. ROBIN HOOD BAY CLOSURE AND POST-CLOSURE COSTS

The liability for closure and post-closure care of the Robin Hood Bay landfill is recognized as the landfill site's capacity is used. Closure costs include the final cover and landscaping while post-closure costs include cap maintenance, groundwater and leachate monitoring, continued gas management operations, inspections and annual reports. The liability recognized in the financial statement is subject to measurement uncertainty. The recognized amounts are based on the City's best information and judgement. Amounts could materially change in the long term.

Estimated closure and post-closure costs over the next 40 years	$47,000,000
Discount rate	5%
Discounted cost	$6,676,000
Expected year capacity will be reached	2049
Percent utilized	3%
Liability based on the percentage utilized	$200,000

The tipping fees charged by the City to all users, including the City itself, other municipalities and commercial users include a provision for closure and post-closure costs which is contributed to an interest-bearing reserve to accumulate the funds that will be required at each closure and post-closure phase. The balance in the reserve at December 31, 2009 was $1,000,000.

CITY OF ST. JOHN'S

Schedule 1

Consolidated Schedule of Tangible Capital Assets

Year Ended December 31

	Land	Buildings & Permanent Improvements	Roads & Underground Networks	Equipment, Vehicles & Moveable Plant	Fire Department Buildings & Equipment	Work in Process	Urban Living Non-profit Housing Buildings	2009 Totals
	$	$	$	$	$	$	$	$ (Restated Note 2)
Cost								
Balance, beginning of year	46,301,869	151,897,683	457,672,005	82,410,915	16,745,962	208,269,166	27,209,002	990,506,602
Add: Additions during the year	1,715,650	81,167,500	94,936,114	60,228,765	2,355,517	108,806,403	-	349,209,949
Less: Disposals during the year	-	-	-	(2,186,063)	(29,554)	-	-	(2,215,617)
Adjustments	-	-	-	-	-	(239,099,261)	-	(239,099,261)
Balance, end of year	48,017,519	233,065,183	552,608,119	140,453,617	19,071,925	77,976,308	27,209,002	1,098,401,673
Accumulated amortization								
Balance, beginning of year	-	37,187,133	126,004,146	48,527,698	4,944,667	-	13,450,761	230,114,405
Add: Additions during the year	-	3,907,325	8,209,807	8,731,326	627,984	-	616,316	22,092,758
Less: Disposals during the year	-	-	-	(2,146,627)	(29,554)	-	-	(2,176,181)
Balance, end of year	-	41,094,458	134,213,953	55,112,397	5,543,097	-	14,067,077	250,030,982
Net book value of tangible capital assets	48,017,519	191,970,725	418,394,166	85,341,220	13,528,828	77,976,308	13,141,925	848,370,691

CITY OF ST. JOHN'S

Schedule 2

Consolidated Schedule of Debenture Debt

December 31, 2009

				2009		2008	
Date of Maturity	Interest Rate	Amount Issued	Amount Outstanding	**Sinking Funds Available**	**Sinking Fund Requirement in 2009**	Sinking Funds Available	Sinking Fund Requirement in 2008
		$	$	$	$	$	$
Dec. 2008	11.125%	6,000,000	-	-	-	11,192	-
Dec. 2009	10.500%	7,000,000	56,000	**60,779**	-	2,491,301	-
Nov. 2011	6.150%	9,012,000	9,012,000	**7,304,520**	**710,000**	6,242,047	710,000
June 2012	10.875%	14,000,000	11,000,000	**9,943,089**	**350,000**	8,893,977	350,000
Sep. 2013	9.160%	9,000,000	6,000,000	**4,675,926**	**225,000**	3,939,260	225,000
Oct. 2015	9.400%	5,000,000	5,000,000	**3,429,467**	**125,000**	3,007,783	125,000
Dec. 2020	6.840%	7,000,000	7,000,000	**3,138,616**	**175,000**	2,706,027	175,000
Dec. 2021	7.380%	15,000,000	15,000,000	**5,269,888**	**375,000**	4,496,825	375,000
Apr. 2022	7.250%	16,500,000	16,500,000	**4,049,561**	**412,500**	3,427,221	412,500
Feb. 2023	6.680%	11,000,000	11,000,000	**3,218,019**	**275,000**	2,633,408	275,000
Feb. 2024	6.162%	25,000,000	25,000,000	**5,373,785**	**625,000**	4,269,121	625,000
June 2025	5.534%	18,000,000	18,000,000	**3,193,089**	**450,000**	2,413,743	450,000
Mar. 2026	5.300%	25,000,000	25,000,000	**3,137,987**	**625,000**	2,186,884	625,000
Dec. 2026	4.975%	35,000,000	35,000,000	**8,881,914**	**875,000**	7,468,205	875,000
Dec. 2027	5.400%	15,000,000	15,000,000	**813,958**	**375,000**	396,144	375,000
Nov. 2029	5.539%	27,000,000	27,000,000	-	**675,000**	-	-
		244,512,000	225,568,000	**62,490,598**	**6,272,500**	54,583,138	5,597,500

For the debenture debt that matures in 2021, 2023, 2024, 2025, and 2026, there is debt recoverable from the Province of Newfoundland and Labrador of $3,400,696, $5,065,137, $7,781,469, $6,846,449 and $12,256,145 respectively, for a total of $35,349,896.

CITY OF ST. JOHN'S

Schedule 3

Consolidated Schedule of Long-Term Debt

December 31, 2009

				2009		2008	
	Date of Maturity	Interest Rate	Amount Issued	Amount Outstanding	Principal Requirement in 2010	Amount Outstanding	Principal Requirement in 2009
			$	$	$	$	$
Canada Mortgage and Housing Corporation							
Virginia Park trunk sewer	Apr. 2013	7.500%	104,408	28,113	6,272	33,940	5,827
Virginia Park trunk sewer	Mar. 2014	7.875%	157,908	53,001	9,029	61,359	8,358
Rennies River trunk sewer	Oct. 2015	10.375%	1,011,991	468,610	59,756	522,617	54,007
Rennies River trunk sewer	Oct. 2017	9.750%	681,350	371,455	32,496	401,000	29,545
Mundy Pond neighbourhood improvement program	Jan. 2009	10.375%	18,985	-	-	201	201
Wedgewood Park water and sewer	Jan. 2017	7.875%	12,410	5,993	563	6,514	521
Federation of Canadian Municipalities							
Harbour Sewage Treatment Plant	Aug. 2015	2.450%	15,000,000	9,000,000	1,500,000	10,500,000	1,500,000
Harbour Sewage Treatment Plant	Dec. 2015	2.660%	5,000,000	3,000,000	500,000	3,500,000	500,000
Newfoundland Municipal Financing Corporation							
1997 Streets	Jan. 2009	7.500%	165,603	-	-	11,486	11,486
1998 Streets A	Dec. 2009	8.375%	264,132	-	-	37,168	37,168
1998 Streets B	Dec. 2009	8.375%	104,868	-	-	14,757	14,757
1992 Airport Heights Phase 3	May 2009	10.625%	1,181,128	-	-	75,578	75,578
1993 Airport Heights Phase 4	Dec. 2009	11.500%	1,070,242	-	-	139,245	139,245
1998 Retaining Wall	Dec. 2009	8.375%	31,942	-	-	4,495	4,495
1991 Studies	May 2010	10.875%	201,165	13,037	13,037	37,129	24,092
1998 Bridge Rehabilitation	Sept. 2010	8.125%	189,044	26,358	26,358	50,698	24,340
1998 St. John's Rec. Centre	Sept. 2010	8.125%	60,361	8,416	8,416	16,187	7,772
Fire Equipment	Sept 2011	7.750%	90,895	24,080	11,583	34,815	10,735
1991 Studies B	Feb. 2011	9.750%	46,373	8,117	5,282	12,920	4,802
Higgins Line 1997	June 2013	7.375%	484,764	163,823	42,650	203,493	39,671
1997 Harbour Cleanup	Jan. 2014	7.500%	1,464,499	617,758	120,160	729,389	111,631
2001 Harbour Cleanup	Feb. 2014	7.500%	1,448,983	611,213	118,887	721,661	110,448
Higgins Line 2001	Dec. 2014	8.375%	574,858	273,255	46,070	315,696	42,441
Mile One Stadium	Sept. 2016	7.750%	19,006,737	11,529,954	1,296,145	12,731,199	1,201,245
			48,372,646	26,203,183	3,796,704	30,161,547	3,958,365

For the long-term debt that matures from 2009 to 2016, there is debt recoverable from the Province of Newfoundland and Labrador of $13,276,012 and a debt recoverable from the Government of Canada of $420,033 for a total of $13,696,045.

CITY OF ST. JOHN'S

Schedule 4

Consolidated Schedule of Mortgages - Urban Living

Non-Profit Housing

December 31, 2009

	Date of Maturity	Interest Rate	2009 Amount Issued	2009 Amount Outstanding	2008 Amount Outstanding
			$	$	$
Newfoundland & Labrador Housing Corporation					
Hamlyn Road	Aug. 1, 2022	2.140%	**2,207,290**	**1,343,302**	1,430,433
Infill 1987	Apr. 1, 2023	2.140%	**2,070,285**	**1,311,827**	1,391,493
Gear Street - Infill 1988	Sept. 1, 2025	2.140%	**1,929,560**	**1,353,935**	1,421,093
Brookfield Road	Dec. 1, 2025	2.140%	**2,203,600**	**1,553,193**	1,628,749
Cochrane Street	Nov. 1, 2026	4.630%	**745,887**	**451,191**	474,755
Infill 1990	Nov. 1, 2026	4.160%	**1,628,008**	**1,126,551**	1,171,709
Campbell Avenue	Feb. 1, 2028	3.900%	**968,952**	**718,085**	744,844
Infill 1992	Dec. 1, 2028	2.140%	**1,682,553**	**1,112,103**	1,155,677
Canada Mortgage and Housing Corporation					
Forest Road	Jan. 1, 2018	3.900%	**1,647,890**	**749,157**	829,574
Cuckholds Cove Road	Apr. 1, 2018	3.160%	**804,200**	**370,534**	410,035
Infill 1982	July 1, 2018	3.090%	**651,550**	**312,620**	343,981
Rawlins Cross	Dec. 1, 2018	2.860%	**1,249,485**	**618,585**	678,083
Hamilton Avenue - Riverhead Towers	Feb. 1, 2019	1.810%	**3,736,230**	**1,832,845**	2,009,868
Fahey's Row - Infill 1983	May 1, 2019	2.610%	**962,163**	**513,583**	558,021
Alexander Street - Hamilton Avenue	June 1, 2019	2.610%	**1,920,998**	**1,027,725**	1,115,718
Carnell Street - Larkin Square	Jan. 1, 2020	3.880%	**1,910,065**	**1,078,159**	1,164,075
Goodview Street - Carter's Hill	Jan. 1, 2020	3.840%	**1,406,630**	**802,259**	866,343
Infill 1985	Apr. 1, 2021	4.590%	**880,530**	**528,958**	563,851
Carter's Hill - Sebastian Court	Aug. 1, 2021	4.260%	**2,031,175**	**1,246,624**	1,327,653
			30,637,051	**18,051,236**	19,285,955
Current portion				**1,304,487**	1,149,501

Mortgages are secured by specific rental properties situated in St. John's and assignment of rental income.

CITY OF ST. JOHN'S

Schedule 5

Consolidated Schedule of Revenue

Year Ended December 31, 2009

	2009	2008
	$	$
Taxation		
Real property tax	**81,612,144**	80,109,483
Business tax	**21,704,206**	21,344,505
Utility tax	**5,346,380**	6,691,744
Accommodation tax	**2,055,845**	1,918,986
	110,718,575	110,064,718
Grants in lieu of taxes		
Government of Canada	**1,415,143**	1,415,145
Government of Canada agencies	**520,840**	569,164
Water tax grant	**1,712,033**	1,626,187
Government of Newfoundland agencies	**91,461**	85,110
	3,739,477	3,695,606
Grants and transfers		
Government of Canada		
Capital grant	**70,932**	1,335,107
Gas tax rebate	**4,474,773**	3,407,403
Government of Newfoundland & Labrador		
Municipal operating grant	**3,508,936**	3,101,298
Municipal capital grant	**41,952,236**	36,297,022
Recovery of debt charges	**3,390,197**	3,964,960
Rental housing projects	**1,393,535**	1,486,714
City of Mount Pearl & Town of Paradise		
Capital contribution	**4,691,748**	3,320,280
City of Mount Pearl public transit contribution	**695,524**	578,556
Other capital grants	**2,639,911**	1,573,000
Real Program Grants / ACOA	**569,433**	382,688
	63,387,225	55,447,028
Sales of goods and services		
Environmental health services		
Water tax	**24,540,266**	19,087,625
Water tax for Harbour clean-up	**-**	2,008,047
Water sales - commercial and shipping	**5,434,004**	4,027,140
Tipping fees	**5,579,242**	3,387,788
Regional Fire recovery	**5,067,696**	4,360,171
Regional Water recovery	**2,723,298**	2,915,816
Regional Waste Water recovery	**121,286**	-
Other	**126,050**	117,542

CITY OF ST. JOHN'S

Schedule 5 (continued)

Consolidated Schedule of Revenue

Year Ended December 31, 2009

	2009	2008
	$	$
Sales of goods and services (continued)		
General government services	**458,875**	491,600
Transportation services		
Parking meters	**1,395,698**	1,364,105
Parking permits	**225,772**	215,220
Other	**26,202**	13,318
Sale of land	**196,458**	220,199
Gain on disposal of equipment	**239,672**	-
Recreation, parks and tourism	**1,273,996**	1,187,929
St. John's Sports & Entertainment Ltd.	**3,495,999**	2,596,157
St. John's Convention Centre	**1,856,122**	1,232,745
Railway Coastal Museum	**318,664**	309,273
Other general services	**170,086**	177,927
	53,249,386	43,712,602
Other revenue from own sources		
Interest on tax arrears	**1,296,136**	1,470,572
Interest earned on portfolio investments	**3,123,230**	3,097,654
Interest savings, Green Municipal Infrastructure Fund	**420,560**	480,640
Fines	**1,841,641**	1,686,001
Construction and other permits	**2,861,054**	2,437,781
Interest earned	**28,397**	998,577
Business and amusement licenses	**126,645**	123,586
Rents, concessions and franchises	**41,243**	46,040
Apartment rentals	**2,585,767**	2,455,128
St. John's Transportation Commission		
Passenger fares	**5,526,784**	5,466,176
Charters	**68,968**	120,672
Transit advertising	**311,857**	164,585
Sundry	**53,339**	90,770
Civic assessments	**415,569**	296,493
Sub - Division assessments	**295,500**	190,334
	18,996,690	19,125,009
Total revenue	**250,091,353**	232,044,963

CITY OF ST. JOHN'S

Schedule 6

Consolidated Schedule of Expenditure

Year Ended December 31

	2009	2008
	$	$ (Restated Note 2)
General government services		
Legislative	**979,171**	781,979
General government	**16,795,730**	16,492,223
Engineering services	**4,522,997**	4,424,496
Pensions and employee benefits	**2,634,641**	3,881,729
Employee future benefits	**11,962,681**	8,129,556
Other general government	**804,409**	651,610
	37,699,629	34,361,593
Fiscal services		
Debenture debt charges		
Interest	**13,067,048**	13,219,913
Amortization	**20,355**	20,355
Long-term debt interest	**1,995,582**	2,273,026
Non-Profit Housing mortgage interest	**603,618**	897,840
St. John's Transportation Commission interest	**60,984**	214,582
Interest on temporary bank loans	**340,730**	8,671
Other debt charges	**152,613**	27,533
	16,240,930	16,661,920
Transportation services		
Road transport		
Administration	**2,680,039**	2,677,925
Fleet services	**696,471**	650,793
Snow clearing	**11,461,587**	11,268,047
Streets, roads and sidewalks	**4,654,719**	4,543,467
Maintenance depot	**1,302,261**	1,460,357
Traffic services	**1,285,962**	1,163,658
Street cleaning	**122,894**	115,985
Street lighting	**3,622,429**	3,620,835
St. John's Transportation Commission	**14,076,385**	13,414,109
St. John's Para-Transit System	**1,302,831**	949,693
Parking meters	**85,043**	59,740
	41,290,621	39,924,609

CITY OF ST. JOHN'S

Schedule 6 (continued)

Consolidated Schedule of Expenditure

Year Ended December 31

	2009	2008
	$	$ (Restated Note 2)
Protective services		
Fire protection	**20,962,416**	18,860,119
Protective inspections	**3,058,802**	2,976,794
Traffic enforcement	**2,185,986**	2,087,264
Animal and pest control	**935,746**	901,574
	27,142,950	24,825,751
Environmental health services		
Water supply and distribution	**11,919,249**	10,769,432
Regional Water system	**4,396,562**	4,340,444
Regional Waste/Water system	**879,912**	
Regional Robin Hood Bay Landfill	**5,851,379**	
Garbage, waste collection and disposal	**2,672,497**	6,306,453
Sewerage collection and disposal	**582,445**	574,370
	26,302,044	21,990,699
Recreation and cultural services		
Parks and open spaces	**6,232,437**	6,102,793
Recreation	**6,441,829**	6,216,690
St. John's Sports & Entertainment Ltd.	**6,103,485**	5,033,790
Railway Coastal Museum	**533,402**	398,824
Destination St. John's	**880,436**	833,089
Other recreation and cultural services	**2,023,191**	1,735,577
	22,214,780	20,320,763
Environmental development services		
Environmental planning and zoning	**1,097,307**	969,246
Housing and real estate	**2,229,973**	2,302,402
Other environmental development services	**1,620,367**	1,805,164
	4,947,647	5,076,812
Amortization and allowances		
Provision for uncollectible accounts	**656,419**	1,391,393
Provision for obsolete inventory	**29,952**	138,158
Loss on disposal of tangible capital assets	**-**	2,020,201
Amortization	**22,092,758**	18,057,961
	22,779,129	21,607,713
Total expenditures	**198,617,730**	184,769,860